

**PUBLIC DISCLOSURE**

MARCH 19, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

THE SAVINGS BANK

357 MAIN STREET  
WAKEFIELD, MA 01880

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **THE SAVINGS BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **MARCH 19, 2001**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

**INSTITUTION'S CRA RATING: This institution is rated "SATISFACTORY"**

The Savings Bank has demonstrated an adequate responsiveness to the credit needs of its assessment area. A majority of the bank's loans were originated and/or purchased inside the assessment area. The bank's lending demonstrates an adequate distribution of loans among individuals of different income levels and businesses of different sizes. The bank's level of community development lending is considered to need improvement at this time, although the bank's flexible lending activities are of an acceptable level. The bank's fair lending performance was also found to be acceptable. Based on this information, the bank's lending performance receives a rating of Satisfactory.

The Savings Bank's qualified investments consist primarily of mortgage-backed securities and grants targeted towards low and moderate-income individuals throughout the assessment area. Total qualified contributions for 1999 and 2000, were \$7,190 and \$19,780 respectively. In addition, The Savings Bank established its own Charitable Foundation in 1997 with an endowment in excess of \$550,000. The Savings Bank also purchased four FNMA mortgage-backed securities in 1999 and 2000, totaling \$3,161,062. Each of these securities is backed by MHFA loans in which the majority of the underlying loans were originated to low or moderate-income applicants within Massachusetts. Based on the information above, the bank's investment test performance is found to be High Satisfactory.

The bank's systems for delivering retail-banking services are accessible to geographies and individuals of different income levels in its assessment area. The bank's Trustees, officers, and employees have provided an adequate level of service activities primarily for community development purposes and related to the provision of financial services. Therefore, the bank's service activities receive a rating of Satisfactory.

The Savings Bank has demonstrated an adequate level of lending, an acceptable level of qualified donations, and provided a reasonable level of community development services. Overall, the bank exhibits adequate responsiveness to credit and community economic development needs throughout its assessment area. Therefore, The Savings Bank's performance in the area of Community Reinvestment was found to be Satisfactory.

### **LENDING, INVESTMENT, AND SERVICE TEST TABLE**

<b>PERFORMANCE TESTS</b> <b>The Savings Bank – Wakefield</b>			
<b>Performance Levels</b>	<b>Lending Test*</b>	<b>Investment Test</b>	<b>Service Test</b>
Outstanding			
High Satisfactory		<b>X</b>	
Satisfactory	<b>X</b>		<b>X</b>
Needs to Improve			
Substantial Non-Compliance			

\*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

### **PERFORMANCE CONTEXT**

## Description of Institution

The Savings Bank, a mutual savings bank headquartered in Wakefield, was chartered under the laws of the Commonwealth of Massachusetts in 1869. The Savings Bank has its main office, a loan production office and a branch office located in Wakefield. The bank also has additional offices in Lynnfield, South Lynnfield and Andover as well as a school branch at Wakefield High School.

As of the December 31, 2000 FDIC call report, the bank had total assets of \$351 million, of which \$139 million or 39.6 percent were in the form of loans. Residential mortgages on one-to-four family properties represented the largest concentration of the loan portfolio with 81.4 percent, followed by commercial real estate loans with 13.1 percent. Refer to the following table for a breakdown of the loan portfolio by type.

Loan Portfolio as of December 31, 2000	
Type of Loans	% of Average Gross Loans
Construction & Land Development	0.2
Residential Real Estate	
a. 1-4 Family Mortgages	81.4
b. Home Equity Lines	2.5
Multifamily	0.9
Commercial Loans	
a. Commercial Real Estate	13.1
b. Commercial & Industrial Loans	0.4
Consumer Loans	
a. Credit Cards & Related Plans	0.2
b. Loans to Individuals	1.2
Other Loans	
a. Other	0.1
Total Gross Loans	100.0%

Source: FDIC Call Report, 12/31/00

Along with its traditional products, the bank offers special programs with flexible underwriting criteria designed to assist the needs of low and moderate-income

borrowers. In-house products coupled with government sponsored programs are offered to assist first-time homebuyers and those applicants who may not qualify under standard underwriting criteria. These programs include the bank's First Time Homebuyer Program which offers several different adjustable rate mortgage options and, the Massachusetts Housing Finance Agency's (MHFA's) Title V (septic) Program and its "Get the Lead Out" Program. In addition, the bank supports the small business community through its offering of Small Business Administration and Massachusetts Capital Access Program loans.

The environment in which the bank operates is very competitive. The bank's competition includes both state and nationally chartered financial institutions located within its assessment area. Its primary competitors include Stoneham Cooperative Bank, Eastern Bank, East Boston Savings, Andover Bank, Fleet, and numerous mortgage companies located within the assessment area.

During the examination, the examiners used PCI Services, Inc., CRA Wiz to generate aggregate HMDA reports when comparing The Savings Bank to all other HMDA lenders throughout its assessment area. In addition, reports from Bankers & Tradesmen were utilized.

Based on aggregate HMDA data for 1999, The Savings Bank ranked 17th in overall market share among all HMDA reportable lenders within its assessment area capturing 1.5 percent of the market. There were 382 HMDA reportable mortgage lenders active within the assessment area in 1999. The top two lenders within the bank's assessment area were Countrywide Home Loans with a 6.8 percent market share and Fleet National Bank with a 2.9 percent market share. A further analysis indicated there were 222 HMDA reportable mortgage lenders in the Town of Wakefield where the bank ranked second overall after Countrywide Home Loans, and first as a lender to low-income applicants.

The Federal Deposit Insurance Corporation (FDIC) conducted a Compliance/CRA Examination on February 28, 2000, and assigned the bank a Satisfactory rating. Prior to that examination, the Commonwealth of Massachusetts Division of Banks assigned the bank a Satisfactory rating for CRA compliance on March 10, 1999. The bank's ability to meet community credit needs remains strong based on its resources and size.

## Description of Assessment Area

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Savings Bank defines its assessment area as the City of Melrose and the Towns of Andover, Lynnfield, North Reading, Reading, Stoneham and Wakefield. This assessment area is located in Essex County (Lynnfield and Andover) and Middlesex County. With the exception of Andover, which is located in the Lawrence Metropolitan Statistical Area (MSA), all of the cities and towns that comprise the assessment area fall within the Boston MSA.

In total, there are 25 census tracts within the bank's assessment area. Of these census tracts, 13 or 52.0 percent are middle-income, and 12 or 48.0 percent are upper-income. There are no low or moderate-income census tracts located within the bank's assessment area. Approximately 58.6 percent of the total households are located within the middle-income census tracts with 41.4 percent located within the upper-income census tracts.

According to information obtained from CRA Wiz and based upon 1990 Census Data, the assessment area's adjusted average median family income is \$58,593. The Savings Bank's assessment area has a population of 150,174 individuals with a total of 40,837 family households. Approximately 4.7 percent of the total households within the assessment area live below the poverty level.

There are 56,941 housing units within The Savings Bank's assessment area, of which 71.9 percent are owner-occupied and 28.1 percent are one-to-four family homes. The weighted average median value of a home in the assessment area was \$210,589, while 1952 was the average median year built. The City of Melrose has the lowest percentage of owner-occupied units at 65.4 percent while the Town of Lynnfield had the highest at 93.3 percent. The median housing values in the assessment area range from a low of \$190,300 in North Reading to a high of \$258,600 in the Town of Lynnfield. Refer to the following table for a complete breakdown of the assessment area's demographics.

ASSESSMENT AREA HOUSING DATA*					
LOCATION	TOTAL OCCUPIED HOUSING UNITS		OWNER-OCCUPIED UNITS	RENTAL UNITS	MEDIAN HOUSING VALUE
	#	%	%	%	
Andover	10,415	95.6	74.6	25.4	254,800
Lynnfield	3,916	97.1	93.3	6.7	258,600
Melrose	10,941	96.8	65.4	34.6	196,100
North Reading	4,065	97.3	88.3	11.7	190,300
Reading	7,936	97.9	81.4	18.6	204,100
Stoneham	8,627	96.8	65.9	34.1	194,900
Wakefield	9,296	97.6	71.2	28.8	190,600
<b>TOTAL</b>	<b>55,196</b>				

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:



## **LENDING TEST**

The lending test evaluates a bank's record of helping to meet the credit needs of its assessment area through its lending activities by considering a bank's home mortgage, small business, small farm and community development lending. The bank's lending performance is determined by factors such as the volume of the institution's loans within its assessment area, particularly to low and moderate-income borrowers and geographies; the amount of small business loans originated to businesses with annual revenues less than \$1 million; the institution's responsiveness to community development lending; and the use of innovative and flexible lending practices. At the request of bank management, The Savings Bank's home equity loans/lines of credit were also evaluated. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

### ***I. Lending Activity***

The Savings Bank had total assets of \$351,238,000 as of December 31, 2000. Gross loans totaled \$139,281,000, which represents 39.7 percent of total assets. Gross loans have increased by 13.5 percent while total assets increased by 6.8 percent since December 31, 1999. The gross loan to asset ratio was 37.3 percent as of December 31, 1999.

The bank's net loans and leases as a percent of assets, as reported in the December 31, 2000, Uniform Bank Performance Report (UBPR), was 39.3 percent. The peer group's net loans and leases to asset ratio was 67.2 percent, placing the bank in the 6th percentile. The bank's ratio is lower than peer, however, it should be noted that the UBPR determines a peer ratio based on similarly sized banks nationwide without regard to regional or state differences. As of December 31, 2000, the net loan to deposit ratio was 45.6 percent. This percentage has increased slightly from 42.4 percent on December 31, 1999. In 1999, the bank sold 34 loans to Freddie Mac totaling \$3,899,360. In 2000, the bank sold 2 loans to the Massachusetts Housing Finance Agency (MHFA) totaling \$243,700.

### **Home Mortgage Disclosure Act Loans (HMDA)**

The Savings Bank's 1999 and 2000 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) were reviewed to determine the amount of credit extended.

During this period, the bank originated and purchased 335 HMDA-reportable loans totaling approximately \$60,187,000. Of this amount, 199 loans or 59.4 percent of the number, totaling \$34,482,000, or 57.3 percent of the dollar amount were originated and purchased within the bank's assessment area. By number, Wakefield accounted for the largest number of originations and purchases with 28.0 percent, followed by Andover with 11.6 percent and Melrose with 5.7 percent. Wakefield also accounted for the largest

dollar volume of originations and purchases with 21.3 percent, followed by Andover with 13.4 percent and Melrose with 6.9 percent.

Refer to the following tables for additional information regarding the bank's HMDA reportable lending, by both number and dollar amount.

#### **HMDA Reportable Loans by Number of Originations**

Location	1999		2000		Totals	
	#	%	#	%	#	%
Inside Assessment Area	128	62.4	71	54.6	199	59.4
Outside Assessment Area	77	37.6	59	45.4	136	40.6
<b>Total</b>	<b>205</b>	<b>100.0</b>	<b>130</b>	<b>100.0</b>	<b>335</b>	<b>100.0</b>

Source: HMDA/LAR Data for the period 1/1/99 to 12/31/00

#### **HMDA-Reportable Loans by Dollar Amount of Originations**

Location	1999		2000		Totals	
	\$ (000)	%	\$ (000)	%	\$(000)	%
Inside Assessment Area	19,013	58.0	15,469	56.4	34,482	57.3
Outside Assessment Area	13,753	42.0	11,952	43.6	25,705	42.7
<b>Total</b>	<b>32,766</b>	<b>100.0</b>	<b>27,421</b>	<b>100.0</b>	<b>60,187</b>	<b>100.0</b>

Source: HMDA/LAR Data for the period 1/1/99 to 12/31/00

As reflected above, the number of HMDA originations from 1999 to 2000 has decreased approximately 37.0 percent. The decline in loan production can be attributed, in part, to the changes in interest rates and the effect they had on the bank's refinance business as well as the prices of homes throughout the assessment area. In addition, the bank's decision to eliminate the services of its two external originators at the end of 1998 is also a factor.

#### **Home Equity Loans/Lines of Credit**

A review of the bank's Home Equity Loans/Lines of Credit in 1999 and 2000 revealed that The Savings Bank granted 71 loans totaling \$3,490,000 during this period. Of these loans, 51 or 71.8 percent were extended within the bank's assessment area. The dollar amount extended inside the assessment area was \$2,736,000 or 78.4 percent.

#### **Small Business Lending**

The Savings Bank's 1999 and 2000 Small Business Loan Registers (SBLRs) were also reviewed to determine the amount of credit extended within the assessment area. The bank originated 23 small business loans totaling approximately \$4,084,000 during this period. A total of 16 loans totaling \$1,688,000 were originated to businesses within the

bank's assessment area, representing 69.6 percent by number and 41.3 percent by dollar amount. The majority of small business loans (14 or 60.9 percent) were originated in Wakefield.

Overall, the bank originated a majority of its residential, home equity, and small business loans within its assessment area. These findings demonstrate The Savings Bank's commitment to providing credit in the communities it serves.

## ***II. Geographic Distribution***

### **HMDA-Reportable Lending**

The HMDA reportable loans located within the bank's assessment area were further analyzed to determine their location by census tract income level. The assessment area is comprised of 25 census tracts of which 13 or 52.0 percent are middle-income; and 12 or 48.0 percent are upper-income. There are no low or moderate-income census tracts within the assessment area.

The following tables provide a breakdown, by number and dollar amount, of the bank's HMDA-reportable loans within its assessment area according to census tract income level. The tables also show the loans in comparison to the number of owner-occupied housing units in each of the census tract income categories.

#### **Distribution of HMDA Reportable Loans by Census Tract Income Level**

Census Tract Income Level	Owner-Occupied Properties		1999		2000		Total	
	#	%	#	%	#	%	#	%
Middle	21,229	51.9	66	51.6	40	56.3	106	53.3
Upper	19,703	48.1	62	48.4	31	43.7	93	46.7
<b>Total</b>	<b>40,932</b>	<b>100.0</b>	<b>128</b>	<b>100.0</b>	<b>71</b>	<b>100.0</b>	<b>199</b>	<b>100.0</b>

Source: HMDA/LAR Data for the period 1/1/99 to 12/31/00

#### **Dollar Volume of HMDA Reportable Loans by Census Tract Income Level**

Census Tract Income Level	Owner-Occupied Properties		1999		2000		Total	
	#	%	\$ (000)	%	\$ (000)	%	\$ (000)	%
Middle	21,229	51.9	8,366	44.0	8,547	55.3	16,913	49.0
Upper	19,703	48.1	10,647	56.0	6,922	44.7	17,569	51.0
<b>Total</b>	<b>40,932</b>	<b>100.0</b>	<b>19,013</b>	<b>100.0</b>	<b>15,469</b>	<b>100.0</b>	<b>34,482</b>	<b>100.0</b>

Source: HMDA/LAR Data for the period 1/1/99 to 12/31/00

According to the information above, 53.3 percent of the bank's total loans for 1999 and 2000, were located within middle-income census tracts and 46.7 percent were in upper-income census tracts. The distribution by dollar amount to middle-income census tracts

was 49.0 percent and 51.0 percent in upper-income census tracts. The above data also suggests that the dollar amount and number of loans in middle and upper-income census tracts is comparable to the percentage of owner-occupied properties in these areas.

The geographic distribution of the bank's loans by census tract category was also compared to that of all other HMDA-reporting lenders in the assessment area. Other HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 1999 and is presented in the following table.

**Lending by Census Tract Income Level**  
**The Savings Bank Compared to All Other HMDA Reporters**

Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	The Savings Bank		All Other Reporters		The Savings Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Middle	66	51.6	4,297	51.1	8,366	44.0	626,046	43.9
Upper	62	48.4	4,104	48.9	10,647	56.0	800,496	56.1
<b>Total</b>	<b>128</b>	<b>100.0</b>	<b>8,401</b>	<b>100.0</b>	<b>19,013</b>	<b>100.0</b>	<b>1,426,542</b>	<b>100.0</b>

Source: HMDA/LAR Data for the period 1/1/99 to 12/31/99.

In 1999, the bank extended 66 loans in middle-income census tracts representing 51.6 percent by number and 44.0 percent by dollar amount. In addition, the bank extended 62 loans in upper-income tracts representing 48.4 percent by number and 56.0 percent by dollar amount. This is considered comparable to the aggregate with loans in middle-income tracts representing 51.1 percent by number and 43.9 percent by dollar amount.

### **Home Equity Loans/Lines of Credit**

A review of the bank's Home Equity Loans/Lines of Credit in the assessment area by census tract income category in 1999 and 2000 reveals that The Savings Bank granted 51 loans totaling \$2,736,000. Of these loans, 25 or 49.0 percent were within middle-income census tracts and 26 loans or 51.0 percent were in upper-income tracts. The dollar amount originated within middle-income tracts was \$1,351,000 or 49.4 percent. The dollar amount originated within upper-income was \$1,385,000 or 50.6 percent.

### **Small Business Lending**

The Savings Bank's small business loans were also analyzed to determine the distribution by census tract income level within its assessment area. The bank

originated 87.5 percent of its small business loans in middle-income census tracts and 12.5 percent in upper-income census tracts. The distribution by dollar amount was 81.2 percent in middle-income census tracts and 18.8 percent in upper-income census tracts.

The Savings Bank's geographic distribution of HMDA reportable loans, small business loans, and home equity lines of credit is considered reasonable.

### **III. Borrower Characteristics**

The bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Boston and Lawrence Metropolitan Statistical Area (MSA). These income figures are based on estimated Department of Housing and Urban Development (HUD) information. Refer to the following table for a breakdown of the estimated 1999 and 2000 HUD information.

<b>MSA</b>	<b>1999-FHI</b>	<b>2000-FHI</b>
Boston	\$62,700	\$65,500
Lawrence	\$57,900	\$60,800

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following tables show the number and dollar amount of HMDA reportable loans to low, moderate, middle and upper-income borrowers in comparison to the number of family households in the assessment area in each respective income group.

#### **Distribution of HMDA Loans to Borrowers of Different Income Levels**

<b>Borrower Income Level</b>	<b>Family Households</b>		<b>1999</b>		<b>2000</b>		<b>Total</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
< 50%	4,860	11.9	7	5.5	2	2.8	9	4.5
50 – 79%	5,913	14.5	15	11.7	6	8.4	21	10.6

80 – 119%	9,653	23.6	30	23.4	9	12.7	39	19.6
> = 120%	20,411	50.0	75	58.6	54	76.1	129	64.8
NA	0	0.0	1	0.8	0	0.0	1	0.5
<b>Total</b>	<b>40,837</b>	<b>100.0</b>	<b>128</b>	<b>100.0</b>	<b>71</b>	<b>100.0</b>	<b>199</b>	<b>100.0</b>

Source: HMDA/LAR Data for the period 1/1/99 to 12/31/00

### **Dollar Volume of HMDA Loans to Borrowers of Different Income Levels**

<b>Borrower Income Level</b>	<b>Family Households</b>		<b>1999</b>		<b>2000</b>		<b>Total</b>	
	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
< 50%	4,860	11.9	527	2.8	209	1.4	736	2.1
50 – 79%	5,913	14.5	1,570	8.3	515	3.3	2,085	6.1
80 – 119%	9,653	23.6	3,383	17.8	1,353	8.7	4,736	13.7
> = 120%	20,411	50.0	13,375	70.3	13,392	86.6	26,767	77.6
NA	0	0.0	158	0.8	0	0.0	158	0.5
<b>Total</b>	<b>40,837</b>	<b>100.0</b>	<b>19,013</b>	<b>100.0</b>	<b>15,469</b>	<b>100.0</b>	<b>34,482</b>	<b>100.0</b>

Source: HMDA/LAR Data for the period 1/1/99 to 12/31/00

In 1999 and 2000, the bank extended 9 loans to low-income borrowers representing 4.5 percent by number and 2.1 percent by dollar amount of the total loans for the assessment area. In addition, the bank extended 21 loans to moderate-income borrowers, representing 10.6 percent by number and 6.1 percent by dollar amount. This distribution can be attributed to the demographics of the area, as well as the high home prices within in the assessment area, which make it difficult for low or moderate-income individuals to qualify for residential mortgage loans. Banker & Tradesman reports indicate that the prices of homes in the Town of Wakefield have increased by 20.6 percent from \$257,000 in January 2000 to \$310,000 in January 2001.

In 1999, The Savings Bank ranked 11th in lending to low and moderate-income borrowers within its assessment area. The bank originated 22 HMDA reportable loans to borrowers in these income groups capturing 1.9 percent of the market. The top two lenders within the bank's assessment area were Countrywide Home Loans with a 7.3 percent market share and Stoneham Co-operative Bank with a 7.2 percent market share. Further analysis indicated the bank ranked 2nd in lending to low and moderate-income borrowers within the Town of Wakefield.

The bank's performance in lending to borrowers of different income levels was compared to the performance of the aggregate. The most recent data available for this analysis relates to calendar year 1999 and is presented in the following table.

**Lending to Borrowers of Different Income Levels**  
**The Savings Bank Compared to All Other HMDA Reporters**

Borrower Income Level	Number of Loans				Dollar Amount of Loans			
	The Savings Bank		All Other Reporters		The Savings Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
< 50%	7	5.5	282	3.4	527	2.8	29,029	2.0
50 – 79%	15	11.7	868	10.3	1,570	8.3	94,976	6.7
80 – 119%	30	23.4	1,867	22.2	3,383	17.8	259,898	18.2
> = 120%	75	58.6	3,964	47.2	13,375	70.3	779,948	54.7
NA	1	0.8	1,420	16.9	158	0.8	262,691	18.4
<b>Total</b>	<b>128</b>	<b>100.0</b>	<b>8,401</b>	<b>100.0</b>	<b>19,013</b>	<b>100.0</b>	<b>1,426,542</b>	<b>100.0</b>

Source: HMDA Data for the period 1/1/99 to 12/31/99.

In 1999, the bank extended 17.2 percent of the number of HMDA-reportable loans and 11.1 percent of the dollar amount to low and moderate-income borrowers throughout the assessment area. In comparison, the aggregate made 13.7 percent of HMDA-reportable loans by number and 9.7 percent by dollar amount to low and moderate-income borrowers. In the middle-income categories, the bank achieved a comparable percentage of loans with 23.4 percent by number versus the aggregate at 22.2 percent by number. However, the bank exceeded the aggregate in the number of loans made to upper-income borrowers both by number and dollar amount. It should be noted however, that there are a significant number of NA entries in the aggregate category, which may explain certain variances in performance. Nevertheless, The Savings Bank's performance in the low to moderate-income categories appears to have surpassed the aggregate.

### **Home Equity Loans/Lines of Credit**

A review of home equity loans/lines of credit granted in the assessment area by borrower income in 1999 and 2000 reveals that the bank extended two loans to low-income borrowers out of a total of 31 loans. This represents 3.9 percent by number and 1.6 percent by dollar of all home equity loans granted within the assessment area. In addition, the bank extended five loans to moderate-income borrowers, representing 9.8 percent by number and 6.0 percent by dollar amount of the bank's equity originations within its assessment area.

### **Small Business Lending**

Small business loans originated within the bank's assessment area in 1999 and 2000 were further analyzed to determine the typical loan amount at origination. Of the loans originated, 68.0 percent had original loan amounts of \$100,000 or less. This proportion indicates the bank's willingness to make loans of smaller dollar amounts to small businesses. The following table depicts the distribution of small business loans within the bank's assessment area by loan amount at origination.



### **Number of Small Business Loans at Origination by Loan Amount**

Loan Amount	1999		2000		Total	
	#	%	#	%	#	%
< = \$100,000	7	70.0	4	66.6	11	68.8
> \$100,000 and < = \$250,000	2	20.0	1	16.7	3	18.7
> \$250,000 - \$1,000,000	1	10.0	1	16.7	2	12.5
<b>Total</b>	<b>10</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>

Source: Small Business Loan Registers for the period 1/1/99 to 12/31/00.

By dollar amount, 14.1 percent of the loans had amounts less than or equal to \$100,000 and 25.7 percent had loan amounts between \$100,000 and \$250,000. The remaining 60.2 percent had loan amounts greater than \$250,000 and less than or equal to \$1,000,000.

Small business loans originated within the bank's assessment area during this period were also analyzed to determine the distribution among businesses of various sizes. The following table depicts the distribution of small business loans within the bank's assessment area by revenues of the business.

### **Number of Small Business Loans by Revenues of the Business**

Annual Business Revenues	1999		2000		Total	
	#	%	#	%	#	%
< = \$1,000,000	6	60.0	4	66.7	10	62.4
> \$1,000,000	1	10.0	2	33.3	3	18.8
NA	3	30	0	0.0	3	18.8
<b>Total</b>	<b>10</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>

Source: Small Business Loan Registers for the period 1/1/99 to year-to-date 12/31/00.

By number, 62.4 percent of the loans went to businesses that had annual revenues less than or equal to \$1 million and 18.8 percent went to businesses that had annual revenues greater than \$1 million. In addition, there were 3 loans on the bank's Small Business LAR, which did not report the business's annual revenues.

Overall, the bank has achieved an adequate level of originations of mortgage loans and Home Equity loans to low and moderate-income borrowers and small business loans to small businesses throughout the assessment area.

## ***IV. Community Development Lending***



As defined in the revised CRA regulation, a community development loan has as its primary purpose: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. In addition, unless it is for a multifamily dwelling (five or more units), the loan must not be reportable as a home mortgage or small business loan.

The Savings Bank did not make any community development loans during the examination period.

#### ***V. Innovative or Flexible Lending Practices***

The Savings Bank offers the following flexible loan products, which adequately address the credit needs of borrowers within its assessment area:

**The Savings Bank First Time Homebuyer (FTHB) Program:** The First Time Homebuyer Program features down payments as low as 5 percent, reduced closing costs, no appraisal fees, no credit report fees and no points for borrowers buying their first home. This program further requires that an applicant shall not have owned residential property for the past three years. The bank also limits the program to one-to-four family owner-occupied dwellings and condominiums. The bank granted 28 loans totaling \$4,826,100 in 1999 and 24 loans totaling \$4,664,400 in 2000 under this program.

**MHFA FTHB Program:** The MHFA program offers low and moderate-income applicants an opportunity to qualify for first time homebuyer financing. Applicants are limited to one-to-four family owner occupied dwellings (two-to-four families requires a Homebuyer Counseling Certificate). The program offers down payments as low as 3 or 5 percent, maximum qualifying ratios of 33/38 percent and various closing costs. In 2000, the bank granted 2 loans totaling \$243,700. No loans were originated in 1999.

**MHFA Homeowner Septic Repair Loan Program:** The Septic Repair program assists individuals who may not be able to afford septic repairs under standard home improvement loan programs and who must comply with Title V septic requirements. The bank granted 4 loans totaling \$67,612 in 1999 and 1 loan totaling \$13,702 in 2000 under this program.

**Wakefield Special Home Improvement Loan Program:** Under this program, The Savings Bank has committed in excess of \$100,000 to the Town of Wakefield for home improvement loans with below-market interest rates, provided in conjunction with the Wakefield Community Development Office. The Town has received \$500,000 to assist homeowners in rehabilitating their properties. All applicants must be of low to moderate-income and the program is limited to single family properties. No loans were made during the examination period.

**MHP Soft-Second Loan Program:** In 2000, the Savings Bank made a commitment to participate in the Massachusetts Housing Partnership Fund Soft Second Loan Program. The objective of this program is to provide “soft second” loans to low and moderate-income first-time homebuyers to reduce their first mortgage amounts and to lower their initial monthly costs so that can qualified to purchase a home. No loans were made in 2000; however the program is expected to become fully operational in 2001.

## **FAIR LENDING POLICIES AND PRACTICES**

The Savings Bank has established a Policy Statement on Discrimination in Lending that is incorporated into the bank’s lending policy. It is the bank’s policy to detect and eliminate discrimination in lending. Detailed below is the bank’s fair lending performance as it correlates to the guidelines established by Regulatory Bulletin 2.3-101, the Division’s Fair Lending Policy.

### **STAFF TRAINING**

In 1999 and 2000, The Savings Bank conducted training in Fair Lending, HMDA, underwriting guidelines, and the Equal Credit Opportunity Act. These classes were attended by lending personnel, branch managers, and assistant managers.

In March 2000, the Senior Vice President/Senior Loan Officer attended a seminar entitled “CRA Investment Opportunities and Fair Lending Overview”.

In January 2001, the Senior Vice President/Senior Loan Officer and the Assistant Vice President/Senior Residential Mortgage Officer attended a Predatory Lending Seminar. This seminar included presentations by key regulators, public officials, and industry leaders involved in the effort to build goodwill in their communities, and protect Massachusetts’ citizens from predatory lending.

Throughout the year, videos were presented to members of the Lending Department. These videos included titles such as “The Changing Faces of American Borrowers: Maximizing Lending Opportunities”, “Fair Lending Compliance”, “Fair Lending Alert” and “Fair Lending: Detecting Unintentional Discrimination”.

### **STAFF COMPOSITION AND COMPENSATION**

The bank employs 69 full-time and 37 part-time individuals. There are 16 minority employees and 9 bilingual employees. Languages spoken include Arabic, Chinese, French, Greek, Japanese, Latvian, Spanish and Thai.

The bank does not compensate any of its loan officers on a commission basis, thereby encouraging loans of all amounts including loans to low and moderate-income individuals.

### **OUTREACH**

Bank management ascertains the credit needs of the assessment area by participating in numerous community organizations and affordable housing programs. Among the numerous organizations are the Wakefield Housing Authority and the Community Service Network, Inc.

## **CREDIT PRODUCTS AND UNDERWRITING STANDARDS**

The Savings Bank has participated in the MHFA First Time Homebuyer Program and MHFA Homeowner Septic Repair Loan Program. The bank has also developed its own First Time Homebuyer program. These programs provide flexible underwriting and pricing to low and moderate-income households in its assessment area. Refer to the Flexible Lending Section for more information.

## **MARKETING**

Credit products are currently advertised through newspapers such as The Andover Townsman, The Lawrence Eagle Tribune, The Lynnfield Weekly, The Lynnfield Villager, The North Reading Transcript, and The Wakefield Daily Item. The bank's advertising reaches individuals of all incomes and effectively covers the assessment area.

## **CREDIT EDUCATION**

To assist potential applicants in the home buying process, bank personnel conducted First Time Homebuyer seminars in 1999 and 2000 at its main office in Wakefield. In 2000, bank personnel participated in a MHFA/Community Service Network seminar. In 2001, bank personnel also participated in four MHFA/Soft Second seminars. Refer to the Services section for more information.

## **COUNSELING**

The bank refers all loan customers whose loan payments are delinquent to the appropriate homeownership credit counseling services available in the area. The bank also offers both monetary and professional support to the Consumer Credit Counseling Services of Eastern Massachusetts.

## **SECOND REVIEW PRACTICES**

The Savings Bank has developed a formal second review process in which all residential, consumer, and small business loan applications, which are slated for denial, are granted a second review prior to the issuance of the adverse action notification. A Senior Loan Officer, Commercial Loan Officer, Underwriter, Origination Loan Officer, or Loan Servicing Officer can complete the second review provided they did not make the initial decision.

During the second review process, a review of the file is conducted to ensure that current underwriting policies and procedures were adhered to and whether an alternative offer can be made to the applicant. These procedures are followed to avoid inconsistency and unintended bias in the loan decision process, therefore, assuring fairness in lending.

## INTERNAL CONTROL PROCEDURES

A review of the HMDA/LAR is conducted quarterly by the bank's Assistant Vice President/Senior Residential Mortgage Officer. A member of the Board of Trustees who serves on the CRA Committee presents the results of HMDA originations to the full Board of Trustees on a quarterly basis.

## MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. From January 1, 1999, through December 31, 2000, the bank received 216 residential loan applications from within its assessment area. During this period, 9 applications, or 4.2 percent, were received from minorities. All of these applications resulted in originations. Refer to the following table for further details.

### APPLICATION FLOW

Race	1999		2000		Total	
	#	%	#	%	#	%
American Indian	0	0.0	1	1.3	1	0.5
Asian	1	0.7	2	2.7	3	1.4
Black	1	0.7	1	1.3	2	0.9
Hispanic	0	0.0	0	0.0	0	0.0
Joint Race	0	0.0	3	4.0	3	1.4
Other	0	0.0	0	0.0	0	0.0
<b>Total Minority</b>	<b>2</b>	<b>1.4</b>	<b>7</b>	<b>9.3</b>	<b>9</b>	<b>4.2</b>
White	138	97.9	61	81.4	199	92.1
No Information	1	0.7	7	9.3	8	3.7
<b>Total</b>	<b>141</b>	<b>100.0</b>	<b>75</b>	<b>100.0</b>	<b>216</b>	<b>100.0</b>

According to 1990 Census Data, the bank's assessment area contained a total population of 150,174 individuals of which 2.9 percent are minorities. The minority population is 0.1 percent American Indian, 1.4 percent Asian, 0.4 percent Black, 0.9 percent Hispanic and 0.1 percent Other minorities.

Aggregate information indicated that, of the 10,967 HMDA reportable applications received within the assessment area in 1999, 3.9 percent were from minorities: 0.1 percent from American Indians, 1.5 percent from Asians, 0.3 percent from Blacks, 0.4 percent from Hispanics, 0.9 percent from Joint Race and 0.7 percent from Other Minorities.

Based on the demographics of the assessment area as well as the performance of the aggregate, the bank's minority application flow is reasonable.

## **VII. Loss of Affordable Housing**

The Savings Bank's participation in government lending programs and credit products with flexible lending criteria has assisted low and moderate-income individuals to remain in their neighborhoods.

## **CONCLUSION (Lending Test)**

Taking into account the number and amount of home mortgage loans, small business loans, and home equity lines of credit originated in its assessment area, The Savings Bank has demonstrated an adequate responsiveness to area credit needs. A majority of the bank's home mortgages, small business loans, and home equity loans/lines of credit were extended within its assessment area. Loans are fairly well distributed throughout the communities in its assessment area, including a majority within middle-income geographies. The bank's lending also demonstrates a sufficient distribution of loans among businesses of different sizes and individuals of different income levels. There has not been any community development lending over the past two years. The bank's flexible loan products appear to adequately address the needs of low and moderate-income borrowers within the assessment area. In addition, the bank's fair lending performance was found to be reasonable at this time. Therefore, the institution's lending performance receives an overall rating of Satisfactory.

## **INVESTMENT TEST**

As defined under the revised CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. In recognition of the many legal limitations on bank investments, and the long-term nature and complexity of many community development investments, the CRA regulation allows some reasonable consideration for the entire bank portfolio of qualified investments; not just those made since the previous CRA examination.

The Savings Bank has demonstrated a good level of responsiveness to community housing and economic development needs. The bank's qualified investments consist of mortgage-backed securities and grants to charitable organizations that assist low and moderate-income individuals and provide education and training, neighborhood revitalization, youth programs and health and human services. Circumstances that limit investment opportunities within the assessment area are also taken into consideration

when evaluating the bank's performance under the Investment Test. The Savings Bank's investment performance is rated High Satisfactory. The following describes the institution's qualified investments.

## **Investments**

The Savings Bank purchased 3 FNMA mortgage-backed securities in 1999 and one in 2000 for a total of \$3,161,062. Each of these securities is backed by a pool of Massachusetts Housing Finance Agency loans in which the majority of the underlying loans were originated to low or moderate-income applicants within Massachusetts.

## **Charitable Contributions**

In 1999 and 2000, the bank contributed \$26,170, and \$62,849, respectively to numerous organizations in the area. Of these donations, \$7,190, and \$19,780 respectively, are considered to be qualified investments. These donations represent 27.5 percent and 31.5 percent of the total contributions for each time period above. The following describes some of the organizations that received qualified contributions.

**Citizen's Scholarship Foundation:** This non-profit organization was founded to provide financial assistance to residents of Wakefield in their pursuit of higher education. Eligible students must demonstrate financial need.

**North Metropolitan Homemaker – Health Aide Service, Inc.:** This organization, located in Wakefield, helps individuals remain in their homes by providing reduced or free services for clients who are unable to pay for care. Shopping, housekeeping, laundry, and meal preparation are among the numerous services that this organization provides.

**The Merrimack Valley YMCA:** The Merrimack Valley YMCA provides a broad range of services, primarily to low and moderate-income individuals and families, including child care and leadership development programs.

**Quota International of Andover:** This is a non-profit organization that is dedicated to community service. The programs support disadvantaged women and children, and a domestic violence program.

## **Other Qualified Investments**

In addition to the above, The Savings Bank established a Charitable Foundation in 1997 with an endowment in excess of \$550,000. The purpose of this foundation is to make donations in and around the bank's assessment area to charitable organizations whose primary focus is on shelter for the homeless, family services, scholarships, youth

activities, the elderly and the poor. The foundation is required by law to contribute a percentage of its assets on an annual basis.

The Savings Bank Charitable Foundation, Inc. made donations of \$31,100 in 1999, of which \$16,500 or 53.1 percent are considered CRA qualified investments. In 2000, the Foundation contributed \$36,000 of which \$26,500 or 73.6 percent are considered CRA qualified investments. The following is a sample of the organizations receiving qualified investments granted by The Savings Bank Charitable Foundation.

**Lazarus House:** This non-profit organization has provided food, clothing, and temporary emergency shelter for the homeless since 1983. The Lazarus House assists the homeless in securing housing, employment and medical care.

**Consumer Credit Counseling Services of Massachusetts:** This is a non-profit organization that provides financial counseling and educational programs for families and individuals.

### **CONCLUSION (Investment Test)**

The Savings Bank has achieved a good level of qualified investments not only through its purchase of mortgage backed securities, but also through its contributions to non-profit organizations serving low to moderate-income people. Considering the level of the bank's qualified donations and the targeted mortgage-backed securities, the bank has exhibited a good responsiveness to community. Therefore, the bank's investment performance is considered High Satisfactory.

### **SERVICE TEST**

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The Savings Bank has

demonstrated an adequate level of involvement in community organizations located throughout its assessment area. The following describes the institution's services.

## **RETAIL BANKING SERVICES**

### **Distribution of Branches**

The Savings Bank is headquartered in the center of Wakefield at 357 Main Street, which is designated as a middle-income census tract. The institution's five branch offices are conveniently located and accessible to all segments of the assessment area. ATMs are available at all of the bank's office locations. In addition, drive-up window service is available at three of the branch offices. The bank offers a full range of products and services at each of its branch locations. The Savings Bank also maintains a branch at Wakefield High School.

### **School Branch**

In 1981, The Savings Bank established a school branch at Wakefield High School. This branch is operated by students and utilizes a staff of seniors to provide banking services, including Savings Accounts, Checking Accounts, Travelers Check, etc. The Savings Bank has also instituted a program called The Club for Young Savers (Children Learning to Understand Banking), providing educational materials for younger children, and introducing basic financial and banking concepts.

### **Record of Opening and Closing Branches**

The bank maintains a Branch Closing Policy. No offices have been closed since the previous examination. During 2000, The Saving Bank opened a branch office located at 1105 Summer Street in Lynnfield, which is located in an upper income census tract.

### **Alternative Banking Services**

In addition to traditional banking services, The Savings Bank offers its customers 24-hour account access through its automated telephone banking system, Bank Line. Through this system, customers can obtain balance information, transfer funds between accounts, obtain current interest rate information and receive loan payment information.

Bank by mail service is also provided to all of the bank's customers and prospective customers. The bank does not charge a fee for this service.

Loan applications can be obtained at all branch offices and all branch managers have lending authority on consumer loan requests.

### **Other Retail Services**



The Savings Bank participates in the Massachusetts Community and Banking Council's (MCBC) Basic Banking Program. This voluntary program offers low cost savings and checking accounts to all segments of the assessment area.

The bank offers a basic checking account that requires no minimum balance with no monthly fees. Children can open a savings account with as little as \$1 with no monthly fees assessed.

## **COMMUNITY DEVELOPMENT SERVICES**

The CRA regulation defines a community development service as a service that is primarily for community development purposes and is related to the provision of financial services. The Savings Bank's trustees, officers and employees are involved with community organizations that address community development needs in the area. Through these involvements, the bank's staff lends their technical expertise, experience and judgement to these organizations. Detailed below is a sample of The Savings Bank's qualified community development services.

**Wakefield Housing Authority's Family Self-Sufficiency Program:** The bank's Vice President of Lending and CRA Officer is a board member of this organization. This program was established as a resource for women making the transition from welfare to the workplace.

**Community Service Network:** An officer of the bank serves on the board of directors of this organization. This non-profit organization was established to help low and moderate-income individuals obtain self-sufficiency. The majority of the organization's efforts are directed toward assisting individuals in obtaining home ownership.

**Mystic Valley Elder Services (Money Management Program):** A Vice President of the bank serves on the organization's Advisory Board. The Money Management program is a daily money management service that helps low-income elderly or disabled people who have difficulty with budgeting, paying routine bills and keeping track of financial matters.

**Friends of the Wakefield Council on Aging:** A Vice President of the bank serves as Treasurer of this organization and as secretary of the Senior Center Building Committee. As the treasurer of this organization, this individual lends technical expertise concerning financial matters.

In addition to the above organizations, officers and employees of the bank are involved with the Merrimack Valley YMCA, the Friends of Andover Senior Center, the Greater Lawrence Revolving Loan Fund, the North Metropolitan Homemaker and Citizen's Scholarship Foundation and the E.E. Boit Home for Women.

## **Educational Services and Seminars**

The Savings Bank offered four First Time Homebuyers Seminars at its main office in 1999 and 2000.

The bank also participated in two lending seminars in conjunction with the Community Services Network, Inc., a community based organization serving low and moderate-income individuals. These programs inform low and moderate-income applicants on the availability of MFHA financing alternatives.

### **CONCLUSION (SERVICE TEST)**

The Savings Bank's systems for delivering retail-banking services are available to geographies and individuals of different income levels in the assessment area. The bank's officers and employees have demonstrated an adequate level of service activities relating to the provision of financial services. Therefore, the bank's service activities receive a rating of Satisfactory.

## **APPENDIX A**

### **SCOPE OF EXAMINATION**

This examination reviewed the performance of The Savings Bank during the years 1999 and 2000 within the assessment area which is located within both the Boston MSA and the Lawrence MA-NH MSA. Loan types reviewed included HMDA-reportable residential loans, as well as Small Business Loans reported on the institution's HMDA and Small Business LARs. At the institution's request, Home Equity Loans/Lines of Credit were also reviewed. Both agency reports and internally generated reports from the institution were reviewed to determine the current rating.

# THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

## THE SAVINGS BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **MARCH 19, 2001** has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.